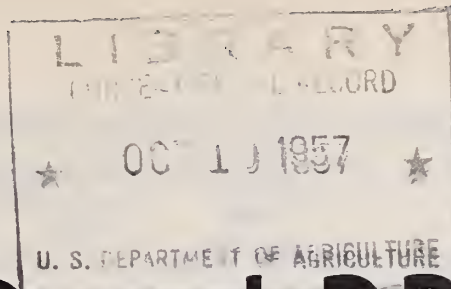


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June 1957

FOR RELEASE  
JUNE 25, A. M.

*The*

# DEMAND and PRICE SITUATION

DPS.-30



Approved by the Outlook and Situation Board, June 19, 1957

## SUMMARY

Increased spending for farm products this year reflects the rise of some 5 percent in consumer income since the first quarter of 1956. Total expenditures for food were up nearly 5 percent. Food expenditure per capita rose by 3 percent, about the same as the gain in food prices.

The increase in retail cost of food was accompanied by a proportionate rise in costs of marketing and processing food as well as an increase in value at the farm level. Thus the farmers' share of larger outlays for food in the first quarter was around 39 percent of the consumer food dollar, the same as a year earlier.

Prices received for farm products in the first quarter averaged 4 percent above the opening months of 1956 and for the 5-month period, January-May, they averaged 3 percent higher. With volume of marketings slightly smaller, farmers' receipts from marketings in the first 5 months of this year totaled 2 percent above a year earlier. Prices paid by farmers for goods and services used in production and family living have been at record levels this year,

*(Continued on page 3)*

## ECONOMIC FACTORS AFFECTING AGRICULTURE

| Item                                                   | Unit or<br>base<br>period | 1956   |        | 1957   |        |        |        |  |
|--------------------------------------------------------|---------------------------|--------|--------|--------|--------|--------|--------|--|
|                                                        |                           | Year   | May    | Feb.   | Mar.   | Apr.   | May    |  |
| Industrial production: Seasonally adj. <u>1/</u>       |                           |        |        |        |        |        |        |  |
| Total                                                  | 1947-49=100               | 143    | 141    | 146    | 145    | 144    | 143    |  |
| All manufactures                                       | do.                       | 144    | 143    | 148    | 147    | 145    | 145    |  |
| Durable goods                                          | do.                       | 159    | 157    | 164    | 162    | 161    | 160    |  |
| Nondurable goods                                       | do.                       | 129    | 129    | 131    | 131    | 130    | 130    |  |
| Minerals                                               | do.                       | 129    | 128    | 132    | 133    | 128    | 128    |  |
| Construction:                                          |                           |        |        |        |        |        |        |  |
| Total outlays, seasonally adjusted <u>2/</u>           | Mil. dol.                 | 44,258 | 3,744  | 3,841  | 3,878  | 3,886  | 3,895  |  |
| Private residential                                    | Mil. dol.                 | 15,339 | 1,306  | 1,397  | 1,388  | 1,360  | 1,330  |  |
| Housing starts <u>3/ 4/</u>                            | Thousands                 | 1,118  | 1,146  | 923    | 880    | 940    | 990    |  |
| Construction contracts awarded <u>5/</u>               | Mil. dol.                 |        |        | 2,161  | 3,078  | 2,776  |        |  |
| Manufacturers' sales and inventories: <u>2/</u>        |                           |        |        |        |        |        |        |  |
| Total sales, seasonally adjusted                       | Mil. dol.                 | 27,586 | 27,814 | 29,130 | 28,770 | 28,549 |        |  |
| Durable goods                                          | Mil. dol.                 | 13,720 | 13,754 | 14,726 | 14,438 | 14,100 |        |  |
| Unfilled orders-sales ratio <u>6/</u>                  |                           | 4.13   | 3.98   | 4.01   | 4.07   | 4.07   |        |  |
| Inventory-sales ratio <u>7/</u>                        |                           | 1.78   | 1.75   | 1.78   | 1.82   | 1.84   |        |  |
| Durable goods                                          |                           | 2.06   | 2.04   | 2.05   | 2.10   | 2.17   |        |  |
| Employment and wages: <u>8/</u>                        |                           |        |        |        |        |        |        |  |
| Total civilian employment <u>9/</u>                    | Millions                  | 65.0   | 65.2   | 63.2   | 63.9   | 64.3   | 65.2   |  |
| Nonagricultural <u>9/</u>                              | do.                       | 58.4   | 58.1   | 58.0   | 58.4   | 58.5   | 58.5   |  |
| Unemployment <u>9/</u>                                 | do.                       | 2.6    | 2.6    | 3.1    | 2.9    | 2.7    | 2.7    |  |
| Workweek in manufacturing                              | Hours                     | 40.5   | 40.1   | 40.2   | 40.1   | 39.8   | 39.7   |  |
| Hourly earnings in manufacturing                       | Dollars                   | 1.98   | 1.97   | 2.05   | 2.05   | 2.06   | 2.06   |  |
| Income and spending:                                   |                           |        |        |        |        |        |        |  |
| Personal income payments <u>2/ 3/</u>                  | Bil. dol.                 | 325.2  | 322.8  | 336.6  | 338.1  | 339.3  | 340.4  |  |
| Consumer credit outstanding <u>1/</u>                  | Mil. dol.                 | 41,863 | 38,919 | 40,513 | 40,503 | 41,015 |        |  |
| Automobile                                             | Mil. dol.                 | 14,436 | 14,059 | 14,410 | 14,501 | 14,659 |        |  |
| Total retail sales, seasonally adj. <u>2/</u>          | Mil. dol.                 | 15,956 | 15,892 | 16,351 | 16,298 | 16,258 | 16,367 |  |
| Durable goods                                          | Mil. dol.                 | 5,485  | 5,396  | 5,747  | 5,685  | 5,606  | 5,666  |  |
| Inventory-sales ratio <u>7/</u>                        |                           | 1.49   | 1.50   | 1.45   | 1.44   | 1.46   |        |  |
| Prices:                                                |                           |        |        |        |        |        |        |  |
| Wholesale prices, all commodities <u>4/</u>            | 1947-49=100               | 114    | 114    | 117    | 117    | 117    | 117    |  |
| Commodities other than farm and food                   | do.                       | 122    | 122    | 126    | 125    | 125    | 125    |  |
| Farm products                                          | do.                       | 88     | 91     | 89     | 89     | 91     | 90     |  |
| Foods processed                                        | do.                       | 102    | 102    | 104    | 104    | 104    | 105    |  |
| Consumer price index, all items <u>4/</u>              | 1947-49=100               | 116    | 115    | 119    | 119    | 119    |        |  |
| Food                                                   | do.                       | 112    | 111    | 114    | 113    | 114    |        |  |
| Prices received by farmers <u>10/</u>                  | 1910-14=100               | 235    | 240    | 234    | 238    | 242    | 243    |  |
| Crops                                                  | do.                       | 240    | 249    | 234    | 237    | 242    | 244    |  |
| Livestock and products                                 | do.                       | 230    | 232    | 234    | 238    | 242    | 241    |  |
| Prices paid, interest, taxes and wage rates <u>10/</u> | 1910-14=100               | 286    | 286    | 294    | 295    | 296    | 296    |  |
| Family living items                                    | do.                       | 278    | 278    | 284    | 284    | 285    | 286    |  |
| Production items                                       | do.                       | 249    | 250    | 256    | 258    | 260    | 259    |  |
| Parity ratio <u>10/</u>                                |                           | 83     | 84     | 80     | 81     | 82     | 82     |  |
| Farm income and marketings: <u>10/</u>                 |                           |        |        |        |        |        |        |  |
| Volume of farm marketings                              | 1947-49=100               | 118    | 93     | 95     | 91     | 90     |        |  |
| Cash receipts from farm marketings                     | Mil. dol.                 | 2,999  | 2,022  | 2,001  | 1,897  | 1,929  |        |  |

Annual data for most of these items for the years 1929, 1932 and 1939-56 appear on page 31 of the April 1957 issue of The Demand and Price Situation.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates. 4/ U. S. Department of Labor, Bureau of Labor Statistics. 5/ Data published by the Department of Commerce in the Survey of Current Business, from reports of the F. W. Dodge Corporation. 6/ Unfilled orders for durables divided by monthly deliveries. 7/ Inventories, book value, and of month, divided by sales. 8/ Bureau of the Census. 9/ Starting with January 1957, figures are not strictly comparable with earlier periods because of changes in definitions of employment and unemployment. 10/ U. S. Department of Agriculture, Agricultural Marketing Service.



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 T H E D E M A N D A N D P R I C E S I T U A T I O N  
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Approved by the Outlook and Situation Board, June 19, 1957

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4 percent above January-May 1956. With prices received by farmers up almost as much, the parity ratio so far this year averages only fractionally below the same months of 1956.

Weather conditions over the Nation as of early June were favorable for a large total crop production this year. Crop prospects were rated as good to excellent in most of the country although excessive rains reduced prospects in parts of the South Central States. Pasture feed conditions were good to excellent throughout most of the Nation in sharp contrast to last year. The June 1 conditions of hay crops are reported to be the best in 30 years. Wheat production, presently forecasted at nearly 971 million bushels, is down 3 percent from last year. Weather conditions have caused a long delay in planting of corn and soybeans.

A strong domestic economy is helping to support the market for farm products. The firm demand for goods and services by consumers, industry, Government and the export market has contributed to a steady growth in final product demand. This has helped to maintain output above last year despite production and inventory adjustment, particularly in durable goods. Judging by retail sales through May, consumer demand remains firm. Business investment for plant and equipment, 12 percent above a year ago in the first quarter, will, according to reported business plans, register a further rise in coming months. The increase this year has been quite moderate compared with the substantial gains in business expenditures during 1956. Available data indicate that federal expenditures for national defense and outlays by State and local

:      The next issue of The Demand and      :  
 :      Price Situation is scheduled for release      :  
 :      July 24      :

Governments, which were 10 percent above a year ago in the first quarter, have also continued upwards in the past two months.

A record foreign demand for all goods and services remains a factor in maintaining a high level of economic activity. Agricultural exports, which during the 10 months ending April were 43 percent above a year earlier, continue firm, with exports of wheat, rice, cotton, soybeans and soybean oil at or above previous highs.

### Commodity Highlights

Marketings of meat animals, at the season's low this summer, will be a little smaller than last summer. Prices will probably maintain a modest margin above a year ago.

Prices received by farmers for milk delivered to plants are averaging above a year earlier for the third consecutive year.

Egg prices in mid-June were above their earlier lows and prospects continue good for further price increases after mid-year. By late summer, prices are likely to be above a year earlier.

Current prices of soybeans are near the relatively low levels that prevailed at the beginning of the marketing year and probably will continue around present levels for the rest of the marketing year.

Growing conditions and planted acreage as of June 1 point to a total 1957 wheat crop of about 971 million bushels, 3 percent below last year's. The winter wheat crop appeared to be about the same as last year and the spring wheat crop about 10 percent smaller.

Supplies of early season peaches are expected to be moderately larger than last year and supplies of most other early deciduous fruits probably will be at least as large. Supplies of lemons are larger than a year ago.

Indications in early June were that production of early summer vegetables for fresh market, excluding melons, is likely to be about 9 percent more than last year. Aggregate output of vegetables for processing this year is expected to be substantially smaller than the 1956 record. Potatoes will likely be in heavy supply, with prices continuing at relatively low levels through early summer.

The average weekly rate of mill use of apparel wool in the United States during April was 19 percent below a year earlier, the sixth month in succession during which use was lower than a year before.

Stocks of cotton owned by the Commodity Credit Corporation or held as collateral for outstanding loans in early June totaled 5.8 million bales, the smallest since October 1953.

Due to this year's sharp reduction in flue-cured tobacco acreage, the 1957-58 total supply--the crop plus the carryover--probably will be 5 to 7 percent below 1956-57. Auctions for flue-cured begin in the latter part of July in the Georgia-Florida producing area.



## GENERAL BUSINESS CONDITIONS

General business activity continues to rise gradually. Information for April and May point to further increases in business investment and Government spending, while consumer purchases of goods and services are being maintained at about 5 percent above a year ago. Industrial production has slipped below the level of recent months as output of steel and some durable goods eased. Construction activity picked up in April and May after declining for several months. Housing starts rose in May, to a rate of 990,000, approaching for the first time in 1957 the million-unit rate exceeded each year since 1948. Total employment remains at record levels, with a seasonal pick-up beginning in the construction and food processing industries. Unemployment is small except for a few labor surplus areas.

Consumer incomes continue to rise despite a shorter work week and lower average weekly earnings in certain manufacturing industries. The volume of business inventories has been reduced slightly this year after a period of substantial inventory accumulation. However, with a rise in the flow of goods and services into consumption, output has been maintained despite the change in inventory policy. Wholesale prices for all commodities have averaged fairly steady. The combined effect of greater capacity and lower inventory demand has been to reduce somewhat the inflationary pressure on wholesale prices. Consumer prices are rising slowly, continuing the trend of the past 8 months.

Consumer disposable income in the first quarter of 1957, at an annual rate of 295.4 billion, was more than 5 percent above a year ago, due largely to an increase in wages and salaries. Personal consumption expenditures in the first quarter totaled 275 billion dollars, also 5 percent above a year ago. These gains generally reflected higher prices and increases in population; thus, per capita income and spending adjusted for price changes remained relatively steady. However, larger disposable incomes led to some increase in personal savings over a year ago.

Total consumer debt outstanding changed little in recent months, as repayments approximately offset new extensions of credit. The increase in installment debt of 259 million dollars in April compares with 307 million a year ago and 551 million during the auto-buying surge of April 1955. Repayments during April of 3.3 billion dollars were 200 million dollars above a year ago.

Table 1.--Consumer income, expenditures, prices and selected indicators, first quarter 1957 and comparisons

| Item                                                                                     | Unit<br>or<br>base | First<br>quarter<br>1957 | Change from               |                          |
|------------------------------------------------------------------------------------------|--------------------|--------------------------|---------------------------|--------------------------|
|                                                                                          |                    |                          | Fourth<br>quarter<br>1956 | First<br>quarter<br>1956 |
|                                                                                          |                    |                          | Percent                   | Percent                  |
| Personal disposable income <u>1/</u>                                                     | Bil. dol.          | 295.4                    | .7                        | 5.4                      |
| Compensation of employees                                                                | do.                | 248.7                    | 1.3                       | 6.7                      |
| Personal consumption<br>expenditure <u>1/</u>                                            | do.                | 275.0                    | 1.5                       | 5.1                      |
| Durable goods                                                                            | do.                | 35.9                     | 3.2                       | 3.2                      |
| Nondurable goods                                                                         | do.                | 136.4                    | 1.3                       | 4.5                      |
| Food and beverages                                                                       | do.                | 82.5                     | 1.9                       | 4.7                      |
| Clothing                                                                                 | do.                | 21.6                     | -2.3                      | 3.8                      |
| Services                                                                                 | do.                | 102.7                    | 1.3                       | 6.5                      |
| Consumer credit outstanding                                                              | do.                | 40.6                     | -.7                       | 7.7                      |
| Personal saving <u>1/</u>                                                                | do.                | 20.4                     | -8.9                      | 9.7                      |
| Population <u>2/</u>                                                                     | Millions           | 170.3                    | .4                        | 1.8                      |
| Non-agricultural employment <u>1/</u>                                                    | do.                | 52.1                     | .2                        | 2.0                      |
| Consumer price index                                                                     | 1947-49-100        | 118.6                    | .7                        | 3.5                      |
| Food                                                                                     | do.                | 113.2                    | .2                        | 3.9                      |
| Clothing                                                                                 | do.                | 106.4                    | -.5                       | 1.8                      |
| Wholesale price index                                                                    | do.                | 116.9                    | .9                        | 4.0                      |
| Industrial prices <u>3/</u>                                                              | do.                | 125.4                    | 1.0                       | 3.9                      |
| Per capita disposable income<br>at average first quarter 1956:                           |                    |                          |                           |                          |
| consumer prices                                                                          | Dollars            | 1,678                    | -.4                       | .1                       |
| Per capita consumer expendi-<br>tures at average first quar-<br>ter 1956 consumer prices | do.                | 1,572                    | .4                        | -.2                      |

1/ At seasonally adjusted annual rates.2/ Includes Armed Forces overseas.3/ Wholesale prices other than farm products and processed foods.



Total compensation of private and public employees approached an annual rate of \$249 billion in the first quarter, a little above the fourth quarter and about  $6\frac{1}{2}$  percent above a year ago. Total employment as well as the number of factory workers changed only fractionally between mid-May 1957 and a year before, but the number of production workers was down in both the durable and non-durable goods industries. Most of the rise in earnings was in the distributive and service industries. Manufacturing payrolls which continued to rise slowly in the first quarter, declined during the following 2 months, but in May were still 2.4 percent above May 1956. Increases in hourly earnings have been the major supporting factor in the upward trend of manufacturing payrolls during the past year. In recent months, hourly earnings in manufacturing industries have held steady but overtime work was cut back and the length of the work week was reduced. As a result, weekly earnings declined from \$84.05 last December to \$81.78 in May. With this drop, weekly wages are only some  $3\frac{1}{2}$  percent larger than a year ago.

The bulk of the increase in consumer expenditures in the past year was for nondurable goods and services. Outlays for nondurable goods reached a record first quarter rate of 136.4 billion dollars, and expenditures for services reached 102.7 billion dollars. These gains were  $4\frac{1}{2}$  and  $6\frac{1}{2}$  percent, respectively, from January-March 1956.

With new home starts through May of this year running about 15 percent below a year earlier, demand by home builders for household durables has been reduced. Retail sales of household durables in the first 4 months of this year were only slightly above a year ago; the increase apparently reflected higher prices. Compared with the latter part of 1956, however, there has been a considerable pickup in durable sales with an expanding volume of expenditures for the newer household items such as air conditioners, clothes dryers, and for automobile parts. Auto sales through May of this year have trailed year-earlier rates by 3 percent.

Expenditures for food are rising, as consumers continue to spend about one fourth of their expanding incomes for food. Consumer outlays in the first quarter were nearly 5 percent above January-March 1956. This gain was due largely to increases in population and prices; real outlays per person changed little. Expenditures for clothing and shoes increased nearly 4 percent from a year ago.

Costs of marketing and processing food as well as the farm value also rose over the year by about the same percentage as the increase in retail value. Thus the farmer's share of the retail food dollar, at 39 cents in the first quarter, was unchanged from a year earlier.



Business investment for new plant and equipment continues to support a high level of economic activity. Estimated outlays in the second quarter of this year are up slightly from the first quarter and 8 percent above a year earlier. The increase over the year was sparked by a 30 percent increase in public utility outlays and an estimated one-sixth rise in spending by industries manufacturing durable goods. Business investment plans for the third quarter, according to a recent survey by the Securities and Exchange Commission and the Department of Commerce, indicate a less than seasonal decline in total investment from the second quarter rate. Investment outlays during the 9 months ending September are planned at a level 9 percent larger than actual outlays January-September 1956, with substantial increases for most major industry groups except commercial (trade, service and construction). A similar survey of business investment plans by the McGraw-Hill publishing company, suggests that business investment outlays this year may total 12 percent above 1956. Moreover, this survey indicates investment spending will be maintained at a high rate during the period 1958 to 1960.

Apparently businessmen are generally optimistic about their future sales prospects. In addition, attempts to improve efficiency and reduce costs in production and marketing also have been important factors in investment decisions. Although the money market continues generally tight, corporations have more funds for internal financing. Profits before taxes are at a peak rate about  $6\frac{1}{2}$  percent above a year earlier. With reserves for depreciation also up, gross business savings in the first quarter were nearly a tenth above January-March 1956. Moreover, subscriptions to new security offerings, which totaled nearly 11 billion dollars in 1956, were up about 60 percent in the first quarter from a year ago.

Increased Government outlays for goods and services contributed materially to the expanded demand during the past year. Federal expenditures for national security programs in the first quarter were nearly a tenth above a year earlier and apparently have risen further in recent months. Outlays by State and local Governments in the first quarter were also up about a tenth and are expected to continue upward in coming months.

The reduction in business inventories was a major factor influencing production rates and the length of the work week in some industries. Business inventories were cut back at a billion dollar annual rate in January-March, compared with a build-up at a rate of nearly 4 billion dollars in the closing months of 1956. The decline in inventories, as more goods moved into consumption, resulted in an improved general inventory situation. In some industries, however, inventories remain large relative to sales; this is particularly true for dealer inventory of automobiles.

Accompanying the decline in inventory buying, output of durable goods dropped nearly 4 percent from last December to May this year. Production of consumers' durable goods was 9 percent lower, including a 14 percent fall in auto output. Steel mill activity also declined from around 100 percent of rated capacity in the fourth quarter of 1956 to a low of 84 in mid-May.



This represented a 13 percent drop in actual output, since rated capacity only rose 4 percent between 1956 and 1957. There was a pickup in mid-June, with mills operating at 88 percent of capacity, but the usual seasonal decline is expected to take place in July and August. Production of nondurable goods has been stable in recent months while mineral output averaged a little below the final months of 1956. Reflecting the decline in durable goods and minerals output, the Federal Reserve Board's index of industrial production eased for the third month, and in May was 143 percent of the 1947-49 average. This was  $1\frac{1}{2}$  percent above a year ago, but 3 percent below December 1956. Manufacturers' sales have declined slightly, and in April were about  $2\frac{1}{2}$  percent below January. Orders and order backlogs also eased some since January, although new orders placed in April were up slightly from March.

#### FOREIGN DEMAND

Economic activity abroad has continued to rise this year, and coupled with the oil needs arising from the Suez crisis, demands for United States exports have been at record levels.

Non-military exports during January-April of this year totaled 7.2 billion dollars compared with the previous record of 5.8 in 1956. This rate of increase, one-fourth above a year ago, has been maintained since the beginning of the current fiscal year in July, and commercial exports for the 10 months ending April 1957 totaled 17 billion dollars. Exports have been one of the major factors contributing to high activity in the petroleum, coal, heavy machinery, and shipbuilding industries. U. S. imports, except for agricultural commodities, are also above last year but have increased at a much slower rate than exports. As a result, net foreign investment was at an annual rate of 4 billion dollars during the first quarter of 1957. The rise of 3.9 billion from a year ago accounted for 16 percent of the rise in the Gross National Product.

Agricultural exports through April of the current fiscal year are estimated at 4 billion dollars, an increase of 43 percent over a year ago. The increase for agricultural products accounted for about one-third of the gain in total exports.

More than half of the increase in the value of farm exports to date stems from the operation of the cotton export program. Exports of cotton are expected to reach  $7\frac{1}{2}$  million bales by the end of the marketing season, compared with 2.2 million last year. The poor European wheat crop, coupled with exhaustion of accumulated foreign rice surpluses has brought about an increase of nearly 50 percent in the combined exports of grains and feeds this fiscal year, despite a decline in exports of sorghum grains and barley. Wheat exports through April totaled 445 million bushels, 82 percent over last year, and may reach 535 million bushels by the end of June. Rice exports (milled basis) during July-April totaled 22.6 million bags (100 lbs.) compared with 9.2 million during the 10 months ending April 1956. Exports of fats and oils (excluding butter) are running 20 percent higher than last year, with exports

of soybean oil more than  $2\frac{1}{2}$  times as large. Exports of most other commodities, with the major exception of tobacco, are likewise running in excess of a year ago. Most of the export gains are attributable to CCC sales at competitive prices, foreign currency sales, and other Government export programs. Approximately one-third of total farm exports during the nine months ending March 31 moved under P. L. 480. Including exports under the Mutual Security Act and Export Import Bank loans, Government financed exports amounted to 41 percent of the total value of farm exports during July 1956-March 1957, the same as in 1955-56. Deliveries to barter contractors amounted to 315 million dollars or 9 percent of the total. This activity may be reduced under the newly announced barter conditions, which will require proof by exporters that barter trade will not replace dollar exports.

Table 2.--United States foreign trade, 1956, 1957

| Item                              | July 1955-<br>April 1956 | July 1956-<br>April 1957 | Change             |
|-----------------------------------|--------------------------|--------------------------|--------------------|
|                                   | Million<br>dollars       | Million<br>dollars       | Million<br>dollars |
| Total exports <u>1/</u>           | 13,512                   | 17,004                   | 3,492              |
| Total agricultural exports        | 2,782                    | 3,969                    | 1,187              |
| Cotton                            | 276                      | 935                      | 659                |
| Rice                              | 68                       | 158                      | 90                 |
| Wheat and flour                   | 428                      | 763                      | 335                |
| Corn, sorghum grain and<br>barley | 296                      | 266                      | - 30               |
| Tobacco, leaf                     | 337                      | 287                      | - 50               |
| Lard and tallow                   | 157                      | 157                      | ---                |
| Cottonseed oil and soybean<br>oil | 121                      | 189                      | 68                 |
| All other <u>2/</u>               | 1,099                    | 1,214                    | 215                |
| Total imports for consumption     | 9,014                    | 9,493                    | 479                |
| Agricultural imports              | 3,112                    | 2,900                    | - 212              |

1/ Excluding military grant-aid shipments. 2/ Includes food exported for relief and charity, and hence some of the items above falling into this category.

#### FARM INCOME

Farmers received about 10.4 billion dollars from marketings in the first 5 months of 1957, up 2 percent from the corresponding period in 1956. Prices averaged 3 percent higher than last year, but the



volume of marketings was down slightly. Cash receipts from livestock and products were about 6.7 billion dollars, or 5 percent above a year ago. Higher prices for cattle and hogs raised cash receipts from meat animals 12 percent above last year, and slightly higher prices of milk also held dairy receipts above a year ago. Crop receipts in the January-May period are estimated at 3.7 billion dollars, 3 percent below 1956. Smaller marketings of wheat and cotton and lower prices of potatoes more than offset increased marketings of corn and soybeans.

Farmers' total cash receipts in May were approximately 2.0 billion dollars, about the same as in May 1956. Prices averaged slightly higher but marketings were smaller. Receipts from livestock and products in May were about 1.4 billion dollars, much the same as a year ago. Cattle and hog receipts were above last year because of higher prices, but lower prices resulted in a substantial decline in receipts from eggs and chickens. Crop receipts of 0.6 billion dollars in May were below a year ago.

#### LIVESTOCK AND MEAT

Marketings of meat animals at the season's low this summer will be a little below the levels of last summer. Receipts of grass cattle, in particular, will be below a year ago. Sales of fed cattle may be as large or larger than last summer. Hog slaughter will likely continue slightly below the 1956 slaughter rate at least until early spring pigs are marketed in volume late this summer. Meat animal prices this summer will probably maintain a modest margin over last summer.

Prices for most grades and classes of cattle in mid-June were \$2 to \$3 per 100 pounds above a year ago. Steady to stronger prices are in prospect for fed cattle during the next several months. Prices for the lower grades of cattle will decline seasonally but, supported by a strong demand for feed lot replacements, will remain at a higher level than last year.

Hog prices will probably continue above a year earlier during the summer and early fall. The seasonal price decline this fall will probably be sharper than last fall and prices at the end of this year may be below prices late last year.

Lamb prices, currently about \$2 per 100 pounds below a year earlier, will likely decline seasonally this summer and fall but may average as high or possibly a little higher than last year.

#### DAIRY PRODUCTS

Prices received by farmers for milk delivered to plants are averaging a little above a year earlier for the third consecutive year. These increases reflect higher prices for fluid and manufacturing milk, and some increase in the proportion of milk utilized as fluid. Relative to feed costs, milk prices



in the past year have been the most favorable in some time. However, the relative price of milk compared with prices for hogs and beef is about average. As a result of these price relationships and improved producing methods, dairymen are increasing milk output.

Production of milk in the first quarter of 1957 was slightly above a year earlier and the total for 1957 is likely to be a record high, possibly as much as 2 billion pounds above the 125.7 billion in 1956. The new record output wholly reflects an increase in production per cow since the country's total dairy herd is the smallest in 33 years of record.

In 1956, farmers again increased their milk sales more than production. Farm household consumption dropped as the number of farms with milk cows declined further. In addition, there was a further shift in sales from farm-separated cream to whole milk. Sales of whole milk increased 4 billion pounds above the 91 billion total in 1955, and production increased 2.6 billion pounds. As sales of farm-separated cream for butter making declined in 1956, for the first time over 50 percent of all milk utilized in making butter came from milk sold as whole milk.

Consumption per person of all dairy products combined in 1956 was about the same as a year before. Fluid milk and ice cream consumption increased, but butter declined after two years of increases. Use of evaporated milk reached the lowest per capita level since the middle 1930's. Use of butter per person from commercial sources in 1956 was the lowest on record, despite high consumer income and steady retail butter prices. Butter consumption per person from all sources in 1956, which includes substantial quantities from CCC stocks, also was below 1955. In the first quarter of 1957, per capita uses of both butter and margarine apparently were below a year earlier.

CCC purchases in terms of milk equivalent are about equal to a year earlier. Dispositions continue at a high rate, but unsold CCC supplies currently are increasing as acquisitions are seasonally heavy.

#### POULTRY AND EGGS

Egg prices in mid-June were above their earlier lows and prospects continue good for further price increases after mid-year. By late summer, egg prices may be above a year earlier, in contrast to recent price levels which were sharply lower than in 1956. In mid-May, the U.S. average price received by farmers was 29 cents per dozen, compared with 37.6 cents in May 1956.

Storage stocks of shell eggs in 1957 are the second largest since 1952, and the Department of Agriculture is purchasing spring-time eggs this year for the first time since 1952. Commercial production of frozen egg is almost up to year-ago levels. In February-May, diversion to storage and sale to the Government accounted for about 13 percent of the 62 million cases of eggs produced on farms, and these diversions were a significant price-sustaining force.



The price strength expected after mid-summer will be in anticipation of reduced supplies late in the year. The almost one-fifth reduction in replacement chicks being raised this year will be reflected in smaller (though by a considerably smaller percentage) egg production in the last quarter as compared with a year earlier. Anticipation of this decline is likely to be reflected in prices before the production cut is fully apparent.

Broiler prices since about mid-May have been 20 cents per pound and higher in most commercial areas, contrasting with prices fully 2 cents lower during most of the preceding 8 months. The mid-May U. S. average farm price was 19.4 cents. In mid-May 1956, it was 21.1 cents, and in mid-June, 20.2 cents. Demand for broilers usually strengthens during the summer. Recent chick placements and egg settings have been only slightly above corresponding 1956 activity, but they may rise in coming weeks if the broiler price rises further. Chicks hatched in July or later would become marketable after warm-weather demand had passed, and in competition with seasonally-increasing supplies of other poultry and red meats.

The 1957 turkey crop is likely to exceed the 1956 record of 77 million birds raised, although by a smaller margin than indicated earlier. Even if poult hatchings during the remaining months of the season are at about the 1956 level, 12-month hatchings since September 1 will still exceed a year earlier by about 5 percent.

Turkey slaughter to date in 1957 is 55 percent higher than a year earlier in the larger commercial plants, but most of the crop is yet to be marketed. The expected sizable increase in remaining slaughter, particularly in months before holiday demand, and storage stocks about double a year ago are discouraging turkey price rises. The mid-May price to farmers was 24.9 cents, compared with 30.6 cents a year earlier.

#### OILSEEDS, FATS AND OILS

Soybean prices (No. 1 Yellow, Chicago) declined moderately from about \$2.40 per bushel in mid-May to \$2.32 in mid-June. Demand for crushing was reduced following lower soybean oil and meal prices. Current bean prices are near the relatively low levels that prevailed at the beginning of this marketing year. Unless new demand develops, soybean prices probably will continue around present levels for the remainder of this marketing year.

Soybean crushings in October 1956-April 1957 totaled nearly 193 million bushels, 19 million more than a year earlier. Crushings for the marketing year are expected to reach a new high of 320 million bushels. Record crushings are being encouraged by a strong export demand for edible oils. Soybean crushings generally hold up fairly well through May before tapering off seasonally. Crushings in May declined somewhat and are estimated to be about 1 million less than in April. Some seasonal decrease is likely during the remainder of the season. The relatively low prices for oil and meal and a low conversion ratio may tend to limit the season's crush.



Another economic factor which may retard the crush is the possible lack of incentive to carry over large stocks of soybean oil. If another large crop is in sight this fall and with the 1957 soybean price support 6 cents a bushel less than in 1955, commercial inventories will tend to be minimized.

Soybean exports continue at record high levels. From October 1956 through mid-June, about 67 million bushels were shipped out, compared with 57 million a year earlier. Principal takers were Japan, the Netherlands, West Germany and Canada. Total exports for the 1956-57 crop year probably will be about 80 million bushels. The previous record was set in 1955-56 when 67 million bushels were shipped out. Large U. S. bean exports this year, as in recent years, reflect (1) strong foreign demand, especially in Europe, (2) relatively small increases in foreign supplies, and (3) large U. S. export availabilities at competitive prices.

Cottonseed crushings and oil output for the 1956-57 season are estimated at 5 million tons and 1,675 million pounds respectively. Crushings and crude oil output in August 1956-April 1957 were about in line with the 12 percent decrease estimated for the entire season. The 1957 crop of cottonseed is expected to be down somewhat from 1956 due primarily to participation by cotton producers in the Acreage Reserve Program.

Edible oil prices this marketing year rose sharply to a seasonal peak in January, but have since declined. Prices in April were about the same as at the beginning of the crop year but they slid off further in May to a new low for the season. Oil prices may pick up somewhat later in the season from present levels.

Lard prices (tanks, loose, Chicago) trended downward from 13.9 cents per pound in January to 12.9 cents in April, then declined abruptly to 10.8 cents in late May. Prices since have improved somewhat and in mid-June were 12.5 cents per pound, compared with 10.2 cents in June 1956.

Lard output for the 1956-57 marketing year, including farm production, is estimated at 2,650 million pounds. Total exports and shipments are estimated at 600 million pounds, compared with 719 million in 1955-56. Current prices for lard could result in somewhat larger exports than now estimated. Domestic disappearance of lard is running above a year earlier, the gain due almost entirely to the increased use of lard in shortening. Total disappearance should be large enough to reduce stocks appreciably by October 1, 1957.

Tung oil output from the 1956 crop through April totaled about 32 million pounds, up sharply from the previous year when output was negligible due to freeze damage. This is likely to be the total for the crop year, as the milling season has been nearing completion. Through mid-June, producers placed 20.5 million pounds or 64 percent of the estimated output under support. About 325 thousand pounds have been redeemed. Loans and purchase agreements are available through June 30.



The Tariff Commission recommended to the President on May 31 that an import fee of 3 cents per pound, but not more than 50 percent ad valorem, be imposed on imports of tung oil for an indefinite period, to prevent interference with the price support program for tung nuts and tung oil. Tung oil is presently free of import duty.

#### FEED

Feed prices are generally lower this spring than a year ago. The index of prices received for feed grains in May was 8 percent lower than on that date last year, prices paid for all feeds purchased averaged 2 percent lower, and the index of wholesale prices of high protein feeds was down 12 percent. Currently lower feed prices this spring reflect larger stocks of "free" corn on hand for the remainder of the corn marketing year, generally favorable prospects for 1957 small grain crops, for which price supports will be lower than in 1956, and the much better condition of pastures and ranges than a year ago. Prices of oats and barley have declined seasonally since May as the harvest time for the 1957 crops approaches. If feed crop prospects continue generally favorable, feed grain prices probably will average somewhat lower this summer than in 1956.

Since last fall corn prices have remained substantially below the 1956 support level of \$1.50 per bushel to cooperating producers, and a little below the \$1.25 support to non-complying producers. Through May 15 farmers had placed 435 million bushels of 1956 corn under loan and purchase agreement, compared with 388 million in the same period of 1955-56. The national average support price for 1957 corn to cooperating producers in the commercial area has been announced at not less than \$1.36 per bushel. The National average support price for 1957 oats is 60 cents per bushel, barley 94 cents per bushel, and sorghum grain \$1.83 per 100 pounds.

Condition of pastures and ranges are much better this spring than a year earlier, especially in the midwest and Southwest where rainfall has been the heaviest in recent years. Cool wet weather also has favored growth of oats and barley, except in areas where excessive rains have caused damage from lodging and flooding. Excessive rains delayed corn planting and cool weather retarded growth in large areas of the Corn Belt and Northwest. Much less than the normal percentage of the crop had been planted by June 1 in most of the Corn Belt States.

#### WHEAT

The U. S. 1957 wheat crop as of June 1 was forecast at 971 million bushels, 3 percent below the 1956 crop of 997 million. The winter wheat crop was forecast at 736 million bushels, and the spring crop at 235 million



bushels. The indicated total crop is less than the prospective domestic use plus likely exports during the next 12 months. As a result, the carryover is expected to be down again on July 1, 1958.

Exports from the United States continued heavy in recent months. The total for the 1956-57 marketing year is estimated at 535 million bushels. Domestic disappearance is estimated at about 600 million bushels. With total supplies for the 1956-57 year of 2,038 million bushels (July 1, 1956 carryover of 1,033 million, production of 997 million and imports of about 8 million), a carryover of about 900 million bushels is indicated. This would be down 130 million bushels from a year earlier, and the first substantial reduction in carryover since stocks began to accumulate in 1952. The official estimate of the stocks of old-crop wheat will be released July 24. The bulk of the carryover will again be held by the CCC.

Cash prices have been declining seasonally, though delayed combining and some concern over damage because of wet fields in the Southwest have resulted in temporary increases. Compared with the high levels reached in April, prices on June 18 were as follows: No. 2 Hard Winter, ordinary protein, at Kansas City, at \$2.20, down 14 cents; No. 1 Dark Northern Spring at Minneapolis, at \$2.24, down 9 cents; No. 2 Soft Red Winter at St. Louis, at \$2.06, down 23 cents; and No. 1 Soft White at Portland, at \$2.50, down 14 cents.

Of the 233.5 million bushels of 1956-crop wheat placed under loan up to May 15, 95.0 million had been repaid and 116.1 had been delivered to the CCC. Of the 18.5 million under purchase agreements, of which producers had elected to deliver 11.8 million, they had delivered 2.9 million. As of May 15, producers had extended 1956-crop loans for another year on 1.8 million bushels.

#### FRUIT

Supplies of early-season peaches are expected to be moderately larger than in 1956, and supplies of most other early deciduous fruits probably will be at least as large. Supplies of lemons are much larger than a year ago. But supplies of California Valencia oranges may be a little smaller than last summer. Consumer demand for fruit continues strong.

June 1 prospects were generally favorable for the 1957 deciduous fruit crop. The outlook is for larger crops of peaches, pears, apricots, sweet cherries, and strawberries, but for smaller crops of California plums and dried prunes. Prospective production of California walnuts is up 6 percent over 1956. But prospects for California almonds are not as good as last year. Favorable prospects are indicated for the 1957-58 citrus crops.

Utilization of Florida Valencia oranges has lagged this spring, and supplies of these oranges may be heavier during early summer than in 1956. But supplies of California Valencias from the smaller 1957 crop, which will comprise the major volume of fresh oranges in summer, may be a little lighter.



Grower prices for Florida oranges have been lower this spring than a year earlier. Although auction prices for California oranges also have averaged lower than the relatively high prices of a year ago, they have held up at a fairly high level this year.

With Florida Valencia oranges being processed at a lower rate this spring than a year earlier, output of frozen orange concentrate dropped a little under that of last year. By June 1, production of 61.4 million gallons was down 3 percent. Even so, output by the end of the season should exceed the 70 million gallons of 1955-56. The pack of Florida canned single-strength citrus juices by June 1 was 33.9 million cases (24-2's), up 4 percent. With retail prices declining since last fall, consumer purchases of frozen orange concentrate have increased. In March 1957, the last month for which data are available, retail prices were moderately lower, and purchases moderately larger, than in this month of 1956. Stocks of frozen orange juice in cold storage June 1, 1957 were  $7\frac{1}{2}$  percent larger than a year earlier.

Cold storage stocks of frozen strawberries increased moderately during May when movement of strawberries to freezers was seasonally heavy but on June 1 stocks were 5 percent below a year earlier. Stocks of other fruits and berries declined during May as freezing of these items had not yet gotten well under way. Total stocks of frozen deciduous fruits and berries (excluding citrus juices) on June 1, 1957 were about 276 million pounds,  $1\frac{1}{2}$  percent smaller than a year earlier.

#### COMMERCIAL VEGETABLES

##### Commercial Vegetables for Fresh Market

Indications in early June are that production of early summer vegetables for fresh market sales, excluding melons, is likely to be about 9 percent larger than last year and 20 percent above the 1949-55 average. Substantially more early summer celery, cucumbers, onions, and green peppers are in prospect than a year earlier, and moderately more tomatoes. Production of carrots and sweet corn are expected to be substantially smaller than in the early summer of 1956, and production of cabbage slightly smaller. Demand for fresh vegetables during the next few months is expected to continue relatively strong. But with the larger supplies of vegetables in prospect through early summer, prices received by farmers are likely to average below the relatively high levels of a year earlier.

Combined prospective production of cantaloups and honeydew melons for early summer harvest is down about 16 percent from a year earlier, because of a sharp cut in honeydews. Indications are that production of early summer watermelons is likely to be about 10 percent above both last year and average.



No production estimates are available for late summer vegetables, but prospective acreage of onions is up moderately from a year earlier, while acreages of cabbage, carrots, and watermelons are a little smaller. If yields and abandonment are near the average of recent years, production of late summer onions and cabbage on the indicated acreage would be about the same as last year; production of carrots and watermelons would be moderately to substantially smaller.

Estimates for total summer production are now available for beets and lettuce. Current conditions indicate a moderately smaller production of summer beets than a year earlier, and a slightly larger production of lettuce.

#### For Commercial Processing

Aggregate production of vegetables for processing this year is expected to be substantially smaller than the record output of 1956. Prospective planted acreage of 9 vegetables for commercial processing is about 3 percent smaller than last year, and if yields are average they will be below the unusually high yields of last year.

According to the Crop Reporting Board, the planting and general development of snap beans, sweet corn, green peas, and tomatoes for processing was about as far advanced on June 1 as on the corresponding date last year. Like the spring of 1956, this spring was generally cool and cloudy, and frequent rains in most northern areas have interrupted planting schedules. In the South Central States, heavy prolonged rains delayed plantings and in some cases caused loss of acreage. In these States, acreage for harvest probably will be reduced and harvest schedules delayed. For the country as a whole, however, conditions of processing vegetable crops on June 1 were generally satisfactory.

#### POTATOES

Potatoes are likely to continue in heavy supply through early summer, even though production for early summer harvest is expected to be about the same as a year earlier and below the 1949-55 average. During May and early June heavy supplies of old (storage crop) potatoes competed for markets with a 1957 spring crop almost a fifth larger than last year. Prices received by growers during this period were the lowest since 1941 and only about half of the relatively high level of a year earlier. As a result, shipments from the larger spring crop were running under those of last year and later spring-crop shipments are likely to overlap marketings from the early summer crop.



## COTTON

Disappearance of cotton in the United States in the 1956-57 marketing year is expected to total about 16-1/4 million bales compared with 11.4 million in 1955-56. Exports are expected to reach about 7½ million bales, far above last season's 2.2 million and the largest total since 1933-34. This increase far offsets a probable decline of about 0.5 million bales in domestic consumption. Carryover stocks on August 1, when the new marketing year begins, are expected to be down to 11.6 million bales, almost 3 million less than a year earlier.

High exports are resulting from (1) competitive prices at which CCC is selling cotton for export, (2) a decrease of about 600,000 bales from last year in foreign free world production, (3) an increase of about 1.9 million bales in foreign free world stocks at the end of the current season over the low levels of a year earlier, and (4) an increase of slightly more than a million bales in foreign free world consumption.

The average price received by farmers for 1956 crop cotton sold to May 1 was 31.7 cents per pound, the lowest in 7 years and about 0.6 cent below the average for the 1955 crop. All of the cotton exported or an equivalent quantity came from CCC stocks, and supplies available from commercial channels (including the 1956 crop placed under loan) exceeded domestic mill consumption. As a result, prices to farmers were about at the loan rates which were lower than those for the 1955 crop.

The CCC is selling its stocks of upland cotton for export at 5 to 7 cents below current support rates and current domestic spot market prices. By June 11, CCC had sold about 7.7 million bales for export between August 1, 1956 and August 15, 1957. An additional 3.4 million bales had been sold for export between August 16, 1957 and August 1, 1958.

Consumption of cotton by domestic mills continues at a rate equivalent to about 8-3/4 million bales for the entire 1956-57 season. This rate probably will hold for the next few months, making allowances for seasonal trends, since the ratio of stocks of broadwoven goods to unfilled orders at the mills continued to increase in February. Preliminary information indicates a further rise in March.

Stocks of cotton held by CCC (owned and held as collateral against outstanding loans and excluding cotton sold for export) on June 7, 1957 were about 5.8 million bales. These were the smallest stocks held by CCC since the end of October 1953. Of the June 7, 1957 total, about 1.9 million bales of upland cotton were owned by CCC and about 3.9 million bales of upland cotton were pledged as collateral against outstanding loans. On May 14 it was announced that CCC will purchase all cotton from the 1956 crop held as collateral against outstanding loans on July 31, 1957.



The 1957 State acreage allotments for upland cotton total about 17.6 million acres. About 3 million acres of this total have been placed in the acreage reserve program leaving a maximum of about 14.6 million acres from which upland cotton could be harvested this year. Harvested acreage for the 1956 crop was about 15.6 million acres. Some States signed a larger percentage of allotments for the acreage reserve than others. When acreage allotments are adjusted to include reserve sign-up, the shares of the total acreage for most geographic areas change somewhat from the figure on July 1, 1956. The proportions for the West increase from 7.8 percent to 8.4, and for the Southeast decline from 18.2 percent to 15.8 percent. The proportions for the Southwest increase from 46.8 to 48.5 percent, and the proportions in the Delta area are very nearly the same for both years, about 27.3 percent.

Increases in proportions of the total acreage occur for the two areas with the highest and the lowest yields per acre in 1956, the West and the Southwest.

The average minimum support level in 1957 for extra-long staple cotton was announced at 59.7 cents per pound on May 10. This was 75 percent of the mid-April parity price. If the parity price in effect on August 1 (that announced for mid-July) is higher than the mid-April parity price of 79.6 cents per pound, the support rate will be raised to 75 percent of the mid-July parity price.

#### WOOL

Prices for some wools at the Australian auctions declined a little during late May. Early in June, Boston quotations for Texas wools were somewhat higher than a month earlier. Prices of some fleece wools were up a little. Quotations for most territory wools were the same as a month earlier. Prices received by domestic growers for shorn wool during May averaged 55.2 cents per pound, grease basis, up 4.3 cents from the previous month and up 13.8 cents from May 1956.

Commodity Credit Corporation disposed of 18 million pounds, actual weight, of wool during May. Sales under the competitive bid program amounted to 4.1 million pounds, about two-thirds of the monthly quota. About 3.3 million pounds were sold at schedule prices, and 10.6 million pounds were selected against barter exchange contracts. As of the end of May, CCC holdings were down to 23 million pounds, from which an additional 1.7 million pounds remained to be selected against barter contract.

The average weekly rate of woolen and worsted mill use of apparel wool in the United States during April was 19 percent below a year earlier. April was the sixth month in succession during which the rate of mill use was below a year earlier. The average weekly rate for January-April was 14 percent below a year earlier. However, the rate of woolen and worsted mill use of man-made fiber during the same months was up 11 percent from a year earlier.



The ratio of prices of wool to prices of man-made fiber has increased substantially since early last year. The April rate of mill use of carpet wool was 5 percent below that of April 1956. The rate for January-April was about 1 percent below a year earlier.

The decline in consumption of wool in the United States has been more than offset by increases in other countries. World consumption during the first quarter is estimated to have been about 5 percent above that of the first quarter of 1956 and the highest since the first quarter of 1950.

United States imports of dutiable wool for consumption during the first quarter were almost one-third below and imports of duty-free wools were one-fifth below, a year earlier.

### TOBACCO

Marketings of 1956 crop Maryland, mostly at auctions but also at the Baltimore hogshead market, totaled 23 million pounds for the season through mid-June. This was equivalent to about 60 percent of the 1956 crop. Auction prices averaged 50.9 cents--5 percent below the average for the comparable period of last season.

March 1 grower intentions indicated that this year's acreage of flue-cured would be about one-fourth less than in 1956 and the smallest since 1932. However, the carryover on July 1 will be about one-tenth larger than a year ago and a record high. Carryover plus this year's sharply reduced crop probably will provide a total 1957-58 supply 5 to 7 percent less than the record 1956-57 level. Auctions for flue-cured tobacco begin in the latter part of July in the Georgia-Florida producing area.

Domestic use of flue-cured and burley during the current marketing year is indicated to be a little below the preceding year's despite the increase in cigarette output--the main outlet. The larger proportion of filter tip cigarettes which require less tobacco per cigarette, the use of "processed sheet," and improved machinery have aided manufacturers in turning out more cigarettes per pound of leaf tobacco.

For the year ending June 30, output of cigarettes is estimated at 3 percent above 1955-56. The 1956-57 output of cigars is indicated to be about the same as in 1955-56 but the outputs of snuff, smoking tobacco, and chewing tobacco were down 5 or 6 percent.

Exports of unmanufactured tobacco during the year ended June 30 are estimated at about 545 million pounds (farm-sales weight)--about 15 percent lower than the heavy 1955-56 shipments but from 6 to 9 percent higher than in the preceding years.

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